

HOA VENDOR MANAGEMENT

LOMAA Monthly Meeting

August 7, 2023

HOA Director Responsibilities

- Maintain the Common Area
- Managing Fiscal Responsibilities
- Enforcing the Governing Documents

Legal council can assist board for compliance with constantly evolving employment and labor laws, housing and environmental regulations and more.

Vendor Selection

- Use Well Defined Procedures
 - Affords equal opportunity to each bidder
 - Avoids risk of favoritism or bias
 - Assures consistent scope of work, licensing and insurance requirements for each bidder
- Avoid bid shopping
- Avoid reducing requirements to get the lowest price

Vendor Selection Process Steps

1. Analyze your needs
 2. Make a list of candidates
 3. Meet potential vendors
 4. Review RFPs and clarify details
 5. Write a contract
- Bid shopping is the disclosure of the low bidder's price to other bidders in an attempt to obtain an even lower bid.

Confidentiality

- Boards must prioritize safeguarding association and member sensitive & private information
 - Owner names and addresses, bank account and credit card numbers.
 - Association bank account numbers, executive session discussions and member disciplinary matters
- Information should be encrypted and stored on a secure server
- Insurance should include cyber liability coverage
- Vendors must be required to have proper data security safeguards particularly managers

Avoid Conflicts of Interest

- Personal or financial interests may compromise objectivity
- Community managers must disclose referral fees, other monetary benefit, ownership interest, or profit sharing relationships with vendors
- Some governing documents may give guidance
- Board decisions are only legally protected if potential conflicts are disclosed in advance and interested director recuses from participation

Comprehensive and Clear Contracts

- Vendor transactions should always be conducted with executed contracts
 - Responsibilities of each party
 - Precise scope of work
 - Contract cost and payment terms
 - Liability and indemnification for incomplete or incorrect performance
- Use only licensed and insured contractors
 - State law requires anyone contracting for \$500 or more hold a valid CA State License Board license (<https://www.cslb.ca.gov>)
 - Association should be added as an “additional insured” on contractor policies (\$1M minimum comprehensive and general liability)

Vendor Termination

- Monitor vendor performance to contract terms
- Legal council can evaluate termination options
- Most contracts will permit termination for cause due to poor performance or breach
- Ideally, contracts should also allow termination without cause with an advance notice period
- Cautiously consider vendor proposals with lengthy duration or automatic renewal